FCA

FINANCIAL COLLECTION AGENCIES

ANNUAL REPORT

1969

FINANCIAL COLLECTION AGENCIES

DIRECTORS

Kenneth J. Bonnington
William A. Clarke
Jack D. Lubotta
Joseph B. Lubotta
Martin J. Lubotta
Lawrence Marks, Q.C.
Gerald R. Stephens
Gordon C. Watt

OFFICERS

Joseph B. Lubotta
Chairman of the Board

Jack D. Lubotta
President and Treasurer

Kenneth J. Bonnington
Executive Vice-President

Gerald R. Stephens
Vice-President

Lawrence Marks, Q.C.
Secretary

REGISTRAR AND TRANSFER AGENT

The Royal Trust Company

AUDITORS

Glendinning, Jarrett, Gould & Co.
Chartered Accountants

S. D. Portner,
Chartered Accountant

LISTED

Montreal Stock Exchange
Ticker Symbol: FCM

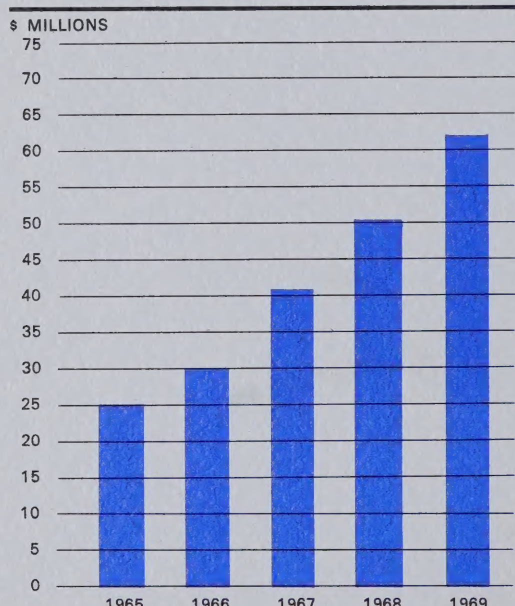
HIGHLIGHTS For the year ended June 30, 1969

	1969	1968
Accounts Accepted for Collection	**$62,000,000**	$50,100,000
Gross Revenue	**$ 5,363,412**	$ 4,518,147
Profit Before Depreciation and Taxes	**$ 1,027,497**	$ 855,650
Income Taxes	**$ 463,162**	$ 387,836
Net Profit	**$ 516,654**	$ 420,238
Net Earnings per Share	**29¢**	23¢*
Number of Shares Outstanding	**1,800,000**	1,800,000*
Dividends Paid	**$ 274,500**	$ 231,000
Number of Offices	**54**	49

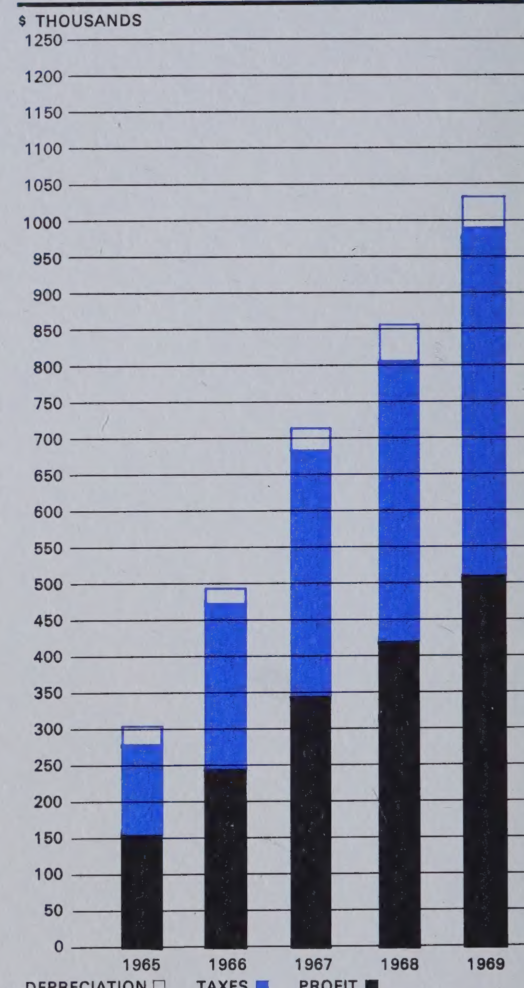
*Adjusted for three-for-one subdivision of Common Shares in 1969.

FIVE YEAR SUMMARY

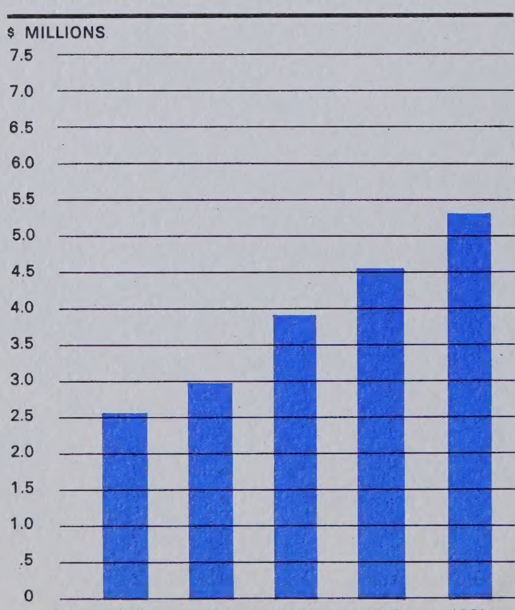
ACCOUNTS PLACED FOR COLLECTION



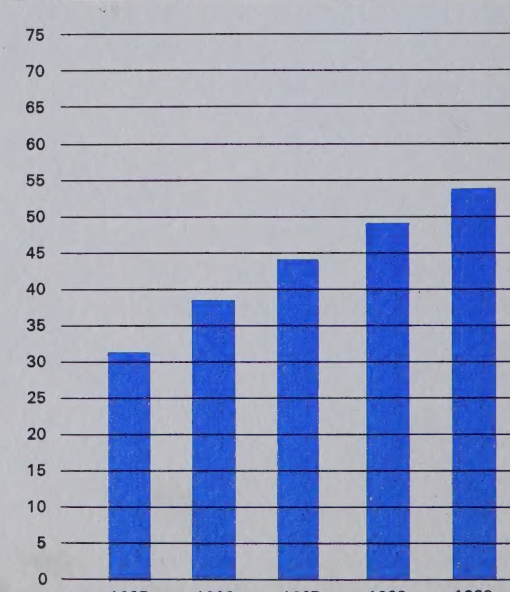
PROFIT



GROSS REVENUE



NUMBER OF OFFICES



CHAIRMAN'S MESSAGE

J. B. Lubotta

More than ever before in its forty-three year history, Financial Collection Agencies is performing a vital and necessary service in today's economic and business climate.

The current tight money situation with its emphasis on credit sales, forces all sellers to take a closer look at their cash resources. Small businessmen and giant corporations are aware of the greater need to maintain or improve the rate of turnover of their accounts receivable. When large sums are tied up in dormant receivables, the pressures exerted on a company to schedule its own payables are made more difficult to withstand. No one can afford the luxury of carrying receivables on the books beyond contractual dates.

When money costs more and is harder to get, the machine that functions in the credit cycle is more important than ever before. A good rate of sales keeps a company active, but the proper use of credit in today's climate keeps it healthy. The trend that has been in evidence, particularly during the past year, is toward the exercise of tighter controls in the granting of credit and closer scrutiny of collection activities.

FCA has experienced a noticeable upsurge of inquiries from credit grantors who have no intention of permitting accounts to remain overdue. FCA is being called upon from every direction to convert clients' receivables into cash and to reactivate their sagging credit cycles. The increase in new business written during the year has enabled FCA to be more productive than ever before.

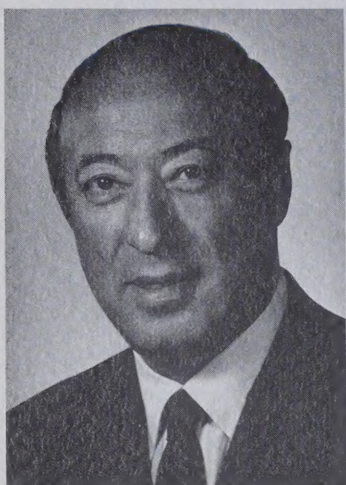
The geographical coverage offered by FCA in the United States, the United Kingdom and Canada is second to none. All offices are manned with a staff of specialists whose effectiveness is increased by inter-office referrals and collections throughout the interconnected network of offices in the FCA chain. Today's mobile population is more readily accessible to FCA because our business is shared among all offices. It is not unusual for an assignment accepted in one office to be successfully completed within a few hours in another office perhaps hundreds of miles distant, or even in another country. In other words, a company with national sales coverage can do business with one FCA office and automatically has 56 other FCA offices at its service.

We are particularly pleased with our expansion and growth record in all three countries where we have strengthened our foothold in many major markets. Through the opening of new offices and by acquisition of existing collection firms, we have broadened our coverage substantially and made deep inroads into highly active markets particularly in many large U.S. cities. Our experience and knowledge tell us that there are many more opportunities in every direction of our operations for continued growth and acquisition.

More and more we see signs that the credit granting and collection functions are assuming a most important part of business. Management at all levels recognizes the necessity more than ever before of maintaining a modern and aggressive role in this aspect of their business activities. The need for greater liquidity in business has ushered in a new era of reliance on collection activities. The exemplary performance and continued growth of FCA over the years have inspired confidence in the tens of thousands of our clients throughout many parts of the world and have placed your Company in the forefront of the collection industry.

Respectfully,

J. B. Lubotta
Chairman of the Board



J. D. Lubotta

PRESIDENT'S MESSAGE

The most significant highlight of the past year for FCA was the exciting growth and expansion of our operations. As a long established company, FCA has demonstrated that the same dynamic enthusiasm for growth that propelled the company since 1926 into its present position of leadership continues to be a vital and moving force in our achievement of record sales and profits. We have reached new plateaus of operation where our horizons have broadened internationally.

FINANCIAL

Despite a postal strike in Canada that affected our business in that country during the first quarter, FCA concluded the year with record sales and profits. New business accepted for collection amounted to $62,000,000, a substantial increase over the prior year's $50,100,000. It should be noted that a greater upsurge in new business was experienced toward the close of the fiscal period and has continued to be in evidence during the current year. Further increases as a result of normal growth and expansion indicate that this significant growth pattern will continue.

Net earnings for the year amount to $516,654 or 29 cents per share, a gain of 23 per cent over last year's earnings of $420,238 or 23 cents per share*. This is an all-time high for FCA and represents profits from both long-established branches, newly-opened offices, and from some of our recently acquired offices.

Gross revenue increased 19 per cent to $5,363,412 from $4,518,147 in 1968.

*Adjusted to reflect a three-for-one subdivision of common shares.

During the year, the authorized common shares of the Company were subdivided on a three-for-one basis.

Dividends amounting to $274,500 were declared and paid and an effective annual dividend rate of 16 cents per subdivided share was established in the final quarter.

EXPANSION

Our efforts were mainly concentrated on expanding our operations in the United States where a number of new locations were added to FCA's broadening coverage in many more key geographical locations.

Our acquisitions included offices in Denver, Los Angeles (both acquired in October) Miami, Fort Lauderdale (March acquisitions) and Phoenix (in May). These companies, in important geographical areas, gave us further coverage and added significant links to our growing chain.

Since the fiscal year end, our largest and most important acquisition was completed—a collection company with offices in Milwaukee, Chicago, Atlanta and Philadelphia. The operations of the Atlanta and Philadelphia offices have merged with FCA's existing offices in those cities to provide a broader base in both these important areas. This acquisition provides FCA with its first offices in the heavily populated Midwestern section of the United States. All companies acquired during the year are operating at high levels of efficiency and are geared for further growth in both sales and earnings. An important aspect of recent acquisitions has been the addition

to our staff and management team of approximately 150 capable people fully and professionally trained in the collection industry.

During the year under review we opened new offices in Pittsburgh and New York City. We are pleased to report that although they have been in operation for a relatively short period they are already contributing to earnings. After June 30, 1969, offices in Hartford, Connecticut and Richmond, Virginia were opened, extending our coverage on the Eastern Seaboard.

When a full year's report of earnings and new business has been recorded, we anticipate that recent acquisitions and newly established offices will have contributed considerably to the progress and growth of your company.

There are presently 57 FCA offices in the United States, the United Kingdom and Canada and further expansion is planned in the coming year.

OPERATIONS

The day-to-day operations of FCA are carefully supervised and managed at the branch level and from executive offices based in strategic cities in our corporate structure. Competition among offices is keenly promoted and our staff of over 650 men and women continued to give outstanding performances as individuals and as members of the FCA team.

FCA's operations in the United Kingdom continue to grow as more members of the business community recognize the need for our Company's services because of the high cost of money and the necessity of maintaining adequate cash positions. Our overall growth in the U.K. is constant and exciting and we have plans for expanding of our facilities in the immediate future.

Our Canadian offices recorded all-time highs in new business, collections and commissions and are effectively blanketing the major credit markets of the country. Two small branches, in Oshawa and Moose Jaw, were merged with larger nearby offices for better service and efficiency. Your company is recognized internationally as the leading collection corporation serving all classifications of business and the professions for over 43 years.

OUTLOOK

The demand for our services is greater than at any time in our history. FCA will intensify its efforts to efficiently process the business entrusted to us by our many thousands of clients and to increase the Company's earnings.

We express appreciation to our staff, our clients and our shareholders for their interest and efforts on our behalf.

Respectfully,

J. D. Lubotta
President

ASSETS

	1969	1968
CURRENT		
Cash	$ 675,813	$ 678,664
Accounts receivable — clients	487,734	370,715
Sundry accounts receivable (Note 5)	129,429	70,160
Cost of collection accounts purchased (net)	122,075	—
Special refundable tax	10,002	—
Prepaid charges	14,532	9,599
	$1,439,585	$1,129,138
TRUST FUNDS		
Cash	$ 924,639	$ 683,567
SPECIAL REFUNDABLE TAX	—	$ 11,522
OFFICE EQUIPMENT, LEASEHOLD IMPROVEMENTS AND AUTOMOBILES at cost less accumulated depreciation and amortization — 1969 $265,394; 1968 $203,203	$ 242,370	$ 202,975
INTANGIBLE		
Goodwill	$ 232,160	$ 230,000
Organization expenses less amount amortized	8,429	3,237
Excess of cost over book value of subsidiary companies at date of acquisition	321,877	—
	$ 562,466	$ 233,237
	$3,169,060	$2,260,439

APPROVED ON BEHALF OF THE BOARD

J. B. Lubotta, Director
J. D. Lubotta, Director

The notes to the financial statements are an integral part o

AUDITORS' REPORT

To the Shareholders,
Financial Collection Agencies Ltd.

We have examined the consolidated balance sheet of Financial Collection Agencies Ltd. and its subsidiary companies as at June 30th, 1969 and the consolidated statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination of the financial statements of Financial Collection Agencies Ltd. (the parent company), and those subsidiary companies of which we are the auditors, included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary companies.

CONSOLIDATED BALANCE SHEET
as at June 30th, 1969

LIABILITIES

	1969	1968
CURRENT		
Bank loan	$ 135,000	—
Accounts payable and accrued charges	150,892	$ 89,201
Balance due to vendors of collection organizations acquired	155,187	—
Accounts payable to directors	13,937	23,635
Liability for income taxes	390,962	296,255
	$ 845,978	$ 409,091
FUNDS HELD IN TRUST FOR CLIENTS, per contra, remitted in July, 1969	$ 924,639	$ 683,567
MINORITY INTEREST IN SUBSIDIARY COMPANY	—	$ 1,200
	$1,770,617	$1,093,858

SHAREHOLDERS' EQUITY

	1969	1968
CAPITAL STOCK		
Common shares without nominal or par value (note 4)		
Authorized: 3,000,000 shares		
Issued: 1,800,000 shares	$ 664,929	$ 664,929
RETAINED EARNINGS	733,514	501,652
	$1,398,443	$1,166,581
	$3,169,060	$2,260,439

e statements and should be read in conjunction therewith.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at June 30th, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Glendinning, Jarrett, Gould & Co.
S. D. Portner
Chartered Accountants,
Joint Auditors.

September 15th, 1969.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30th, 1969

	1969	1968
GROSS REVENUE FROM OPERATIONS	$5,363,412	$4,518,147
INCOME FROM OPERATIONS for the year before providing for the undernoted	$1,192,168	$1,016,287
Provision for depreciation and amortization	$ 47,681	$ 47,576
Remuneration of directors	164,671	160,637
	$ 212,352	$ 208,213
NET INCOME BEFORE PROVIDING FOR INCOME TAXES	$ 979,816	$ 808,074
PROVISION FOR INCOME TAXES	463,162	387,836
NET INCOME	$ 516,654	$ 420,238
*Earnings per share	29¢	23¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30th, 1969

	1969	1968
BALANCE, July 1st	$ 501,652	$334,126
NET INCOME	516,654	420,238
	$1,018,306	$754,364
DEDUCT: Dividends declared on common shares	$ 274,500	$231,000
Adjustments affecting prior years	—	9,918
Loss on devaluation of the pound sterling	—	5,304
Taxes withheld from and foreign exchange adjustment on dividends received from foreign subsidiaries	10,292	6,490
	$ 284,792	$252,712
BALANCE, June 30th	$ 733,514	$501,652

*Adjusted to reflect a three-for-one subdivision of Common shares.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED JUNE 30th, 1969

FUNDS WERE OBTAINED FROM:	
Net income	$ 516,654
Add: Charges against income not requiring an outlay of funds: Depreciation and amortization	47,681
	$ 564,335
Reduction in working capital	126,440
Special refundable tax received or due within one year	11,522
	$ 702,297
AND FUNDS WERE USED TO:	
Pay dividends	$ 274,500
Purchase collection organizations (not including net assets acquired)	324,037
Purchase office equipment, leasehold improvements and automobiles — net	86,392
Pay withholding tax on dividends received from foreign subsidiaries and foreign exchange adjustment	10,292
Pay organization expenses for new subsidiaries	5,876
Redeem minority interest in subsidiary company	1,200
	$ 702,297

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30th, 1969

1. PRINCIPLES OF CONSOLIDATION. The accounts of the United Kingdom and United States subsidiaries are included on the basis of one pound sterling equalling 2.58 Canadian dollars and one United States dollar equalling 1.08 Canadian dollars.

2. DESIGNATED SURPLUS. Under provisions of the Income Tax Act of Canada, profits of certain subsidiaries aggregating approximately $543,000, earned before acquisition, are considered part of "designated surplus" and as such may not be paid to the parent company without attracting additional taxation of approximately one-half of such dividends.

3. DIVIDEND RESTRICTIONS. Transfer of earnings from the United Kingdom subsidiary companies are subject to the approval of exchange control authorities. Dividend payments from the United Kingdom and the United States of America subsidiaries are subject to withholding taxes of 15% upon their remittance to the parent company; as the amounts of these future taxes are not presently determinable, no effect has been given to any such future liability in the financial statements.

4. CAPITAL STOCK. During the year, the authorized and issued common shares of the parent company were sub-divided three for one. Subsequent to the balance sheet date, the company issued for net proceeds in cash of $525,000 a further 60,000 common shares for the purpose of continuing the program of acquisition of other collection organizations.

5. GENERAL.

a. Cash includes deposit receipts issued by the companies' bankers.

b. Included with sundry accounts receivable are loans aggregating $29,827 to employees to permit them to purchase shares in the company.

c. The company leases premises in its several locations on varying terms. The most significant long-term commitment of this nature is a lease for the building known as FCA House which provides accommodation for the Head Office, the Montreal branch and the centralized data processing division of the entire group, the rent being $60,000 per year to September 30th, 1987.

d. The amounts shown on these statements are expressed in Canadian funds.

U.S.A.

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235 Peachtree Street N.E., Gaslight Tower Bldg., Suite 1020

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10 Light Street, Maryland National Bank Bldg., Suite 1155

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15 Broad Street, Marshall Building, Suite 310

CHICAGO, Ill. 60606 .... (312) 332-4557
2 N. Riverside Plaza, Riverside Plaza Bldg.

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2014 East 9th Street, Euclid - 9th Street Towers, Suite 603

DENVER, Colorado 80203 .... (303) 222-9488
1900 Washington Street, F C A House

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305 S. Andrews Ave., Las Olas Bldg.

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99 Pratt Street, Suite 210

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864 South Robertson Blvd., Robertson South Bldg., Suite 300

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2040 - 163rd Street N.E., Suite 309

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316 East Silver Spring Dr.

NEW YORK, N.Y. 10021 .... (212) 686-0420
171 Madison Avenue, Suite 1300

PHILADELPHIA, Pa. 19102 .... (215) 735-8536
1405 Locust Street, Broad Locust Bldg., Suite 511

PHOENIX, Arizona 85013 .... (602) 264-2755
513 West Thomas Road

PITTSBURGH, Pa. 15222 .... (412) 261-6670
717 Liberty Ave., Clark Bldg., Suite 2313

PORTLAND, Ore. 97205 .... (503) 223-5171
729 Alder S.W., Park Bldg., Suite 610

RICHMOND, Va. 23219 .... (703) 649-1277
701 East Franklin Street, Seventh and Franklin Bldg., Suite 805

SEATTLE, Washington 98101 .... (206) 623-6761
Third & University, Northern Life Tower, Suite 2104

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Great Charles Street, York House

GLASGOW C.2 .... (041) 332-7317/8/9
144 West George St., Cornhill House

LEEDS LS1 5ST 35721/2/3/4
Greek Street, Yorkshire House

LIVERPOOL L39 DG .... (051) 236-3292/3/4
10 Rumford Place, Suite 1

LONDON S.W.1 .... (01) 730-6231/2/3
60 Buckingham Palace

MANCHESTER 2 .... (061) 832-3384/5/6
18/22 Lloyd Street, Lloyd House, 1st Floor

CANADA

BRANDON, Manitoba .... (204) 727-6413
110 - 10th Street, Bass Building, Suite 11

CALGARY, Alta. .... (403) 263-2890
217 - 7th Avenue S.W., Suite 712

CHARLOTTETOWN, P.E.I. .... (902) 892-3504
159 Kent Street, Suite 304

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10156 - 101 Street, Baltzan Building, Suite 214

FREDERICTON, N.B. .... (506) 454-3393
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74 Seymour Street W., Suite 11, Woodward Tower

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837 Princess Street, Clelland and Flindall Bldg., Suite 203-A

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251 King Street W., Dunker Building, Suite 201

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328 - 6th Street S.

LONDON, Ont. .... (519) 438-8347
170 Dundas Street, Bank of Commerce Bldg., Suite 24

MONCTON, N.B. .... (506) 389-9151
14 Church Street, Suite 203

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4150 Sherbrooke St. W., Edifice F C A House

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PORT ARTHUR, Ont. .... (807) 344-3518
8A North Cumberland St., Suite 1, Tomlinson Block

PRINCE ALBERT, Sask. .... (306) 764-1426
60 - 12th Street East Financial Bldg.

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785 De Salaberry St., Suite 222

REGINA, Sask. .... (306) 522-6624
1846 Scarth Street, Metropolitan Bldg., Suite 3

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148 Cathedrale Ave.

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112 Queenston Street, Delphian House

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226 Water Street, Royal Bank Bldg., Suite 28

SAINT JOHN, N.B. .... (506) 657-3434
110 Crown Street, Courtenay Centre, Suite 380

SASKATOON, Sask. .... (306) 652-7712
115 - 2nd Avenue N., Royal Trust Bldg., Suite 206

SAULT STE. MARIE, Ont. .... (705) 253-3274
629A Queen Street E., Suite 202

SUDBURY, Ont. .... (705) 673-8462
10 Elm Street East, Suite 5

SYDNEY, N.S. .... (902) 539-1232
292 Charlotte Street, David Bldg., Suite 1

TORONTO 101, Ont. .... (416) 364-4151
500 University Ave., Suite 700

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540 Seymour Street, Fraser Building, Suite 201

VICTORIA, B.C. .... (604) 388-4494
1106 Cook Street, Professional Centre, Suite 205

WINDSOR, Ont. .... (519) 254-6444
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WINNIPEG 1, Man. .... (204) 942-7544
294 Portage Avenue, Suite 501

AN INTERNATIONAL ORGANIZATION

Credit accommodation is and will continue to be a method of creating sales volume. Many businessmen have faced the two perplexing questions, "Can I afford to grant credit?" and "Can I afford not to?" The sound solution must be based on their ability to expand because credit granting is an expansion of their business and requires financing the same as for new inventories and new services.

The moment that credit is granted, a portion of inventory becomes accounts receivable. These are genuine assets only if the credit accounts are indeed collectable.

Two facts must be faced:

1. There will always be working capital and profit tied up in the form of receivables.
2. There will always be some element of loss and/or collection cost in total receivables .

The credit grantor must determine the amount of credit that he can soundly extend. If he grants too little, he is retarding his growth; if he grants too much, he is risking financial strangulation. The credit ceiling increases or decreases according to general operating conditions and should be subjected to frequent review. These guidelines are helpful:

1. Expect credit to stimulate sales.
2. Expect to experience some losses.
3. Budget for the cost of credit.
4. Consult with experts in the credit field — your auditor, accountant, banker, credit manager and your collection specialist.

When credit is more difficult to obtain and interest rates are high, credit sales and purchases take on a new and important significance. At such a time, corporations look for ways to generate ready cash. They become more aggressive toward the collection of their accounts because of the high cost of carrying overdue or dormant receivables on the books.

Financial Collection Agencies perform a vital and special function because cash is important to the health of any business. We are in the business of collecting cash and remitting it promptly to our clients. At the same time, we always protect and maintain our clients' reputation and good will.

FCA provides various informational brochures on sound credit granting policies and practices as well as general information of particular interest to credit management. Our senior management is also available to credit departments interested in collection counselling and internal collection techniques.

Over forty-three years of experience and results have demonstrated that the methods of FCA are effective in any economic climate, in any geographical area and in any industry or profession.